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1. Since V-J Day the economic conditions in the Tumen (129-49, 42-58) Huining (129-45, 42-26) area have improved. Food and other consumer commodities have increased and industry has been reestablished to a large extent. The economic policies governing the area are made and directed by A. P. Ivanov, Soviet High Commissioner representing the USSR Far Eastern National Defense People's Committee. [REDACTED]

The Tumen municipal government carries out the following economic policies:

- (a) Distribution of land and property
- (b) Basic economic planning for local institutions
- (c) Budgeting

2. The distribution of land and property as conducted by the municipal government is as follows:

- (a) All property of house owners, landowners and the wealthy is taken by the municipal government. The houses and lands are then distributed to tenants who till the land. The tenants, as a rule, are benefited until the government authorities confiscate agricultural products which are, the authorities state, the property of the government. The tenants do not like this policy because, in many cases, the confiscation amounted to as much as 93% of the total production.
- (b) In addition, the tenants must pay house taxes, rates unknown, which are levied six times a year.
- (c) As a result of the high confiscation rate, many of the tenants have hoarded produce and stolen from their neighbors. This has given rise to banditry on an organized basis. The Public Peace Bureau has assumed the duties of collecting the taxes, suppressing the bandits and arresting delinquent taxpayers. Those convicted of crimes involving taxes are executed or sentenced to long term imprisonment at hard labor.
- (d) On the other hand the Public Peace Bureau has initiated a policy of reward for those fulfilling their agricultural and tax obligations on time. The rewards are clothing material, horses, cattle, bicycles and an increase in the food ration. The reward system has accomplished more for the authorities than has the attempt at a forceful collection.

3. The basic economic development plans being conducted in Tumen are chiefly the establishment of rice mills and fertilizer industries, and distribution points (? for agricultural products). Rice polishing machinery imported from North Korea

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180628 25X1A

has been set up in the agricultural districts in and around Tumen. Under the economic plan new roads for military use are also being constructed along the border area and into Tumen.

4. The budget expenditures are primarily of a military nature. Military installations are being constructed. Personal expense funds are made available to special commissioners dispatched from the USSR to the area.
5. Staple commodities and most other commodities are rationed in Tumen. However, there is an insufficient amount of goods held by the rationing authorities so a black market on most goods thrives. Black market prices in Yuan per catty are: (? North-east Currency (NEC) or Communist Northeast Currency)

Rice	350
Millet	220
Salt	350
Kaoliang	250
Bean Oil	500
Sugar	2,500
Coal	200
Charcoal	45
Firewood	60
Cotton Yarn	2,800
Leather	9,000

6. The exchange rates of money used in Tumen are:
  - (a) National Government Currency (NEC) 400 equals 100 Soviet Military Currency.
  - (b) 160 NEC equals 100 8th Route Army (? Communist Northeast) Currency.
7. The only factory of importance in the Tumen area is at Huining. This factory was established by the Soviets and is an agricultural machinery plant. The factory is complete and is manufacturing tractors, trench digging machinery and sugar beet machinery - Model KCM-2. However, the factory is not run on a mass production basis. There is no assembly line and not many tractors or machines have been produced although raw materials constantly enter the factory. The factory is supervised by the Far Eastern Branch of the USSR Agricultural Machinery Production Bureau. The Bureau frequently sends technicians from Vladivostok to the factory to test equipment.

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